

Message Text

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14-12

ACTION EB-07

INFO OCT-01 EA-06 ISO-00 AID-05 CIAE-00 COME-00 FRB-03

INR-07 NSAE-00 TRSE-00 XMB-02 OPIC-03 SP-02 CIEP-01

LAB-04 SIL-01 OMB-01 L-02 /045 W

----- 025528

R 150835Z APR 75

FM AMEMBASSY KUALA LUMPUR

TO SECSTATE WASHDC 9567

INFO AMEMBASSY SINGAPORE

LIMITED OFFICIAL USE KUALA LUMPUR 2006

E.O. 11652: N/A

TAGS: EINV, MY

SUBJECT: MALAYSIAN BILL REQUIRING MANUFACTURING
LICENSES

1. APRIL 5 (SAME DAY AS PETROLEUM ACT AMENDMENT
PRESENTED) LOWER HOUSE OF PARLIAMENT PASSED THE
INDUSTRIAL COORDINATION ACT OF 1975. WHILE REACTION
TO DATE ON PART OF U.S. INVESTORS IN MALAYSIA
TOWARDS THIS ACT IS MUCH MORE SUBDUED THAN IN CASE
OF PETROLEUM ACT, LOCAL MANUFACTURERS APPEAR TO
VIEW IT WITH GREAT CONCERN.

2. MAIN PROVISIONS OF ACT AS FOLLOWS:

A. ALL MANUFACTURERS MUST OBTAIN MANUFACTURING
LICENSE FROM MINISTRY OF TRADE AND INDUSTRY (MTI).

B. ONLY ONE LICENSE IS REQUIRED TO COVER PRODUCTS
MANUFACTURED IN ONE LOCATION. EACH PLACE
OF MANUFACTURING, HOWEVER, WILL REQUIRE
SEPARATE LICENSE.

C. MTI IS TO DECIDE WHETHER ISSUANCE OF LICENSE IS
QUOTE EXPEDIENT IN THE NATIONAL INTEREST AND
WOULD PROMOTE THE ORDERLY DEVELOPMENT OF
MANUFACTURING ACTIVITIES IN MALAYSIA UNQUOTE

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BEFORE LICENSE CAN BE GRANTED.

D. MTI CAN IMPOSE ANY CONDITIONS DEEMED NECESSARY

WHEN GRANTING LICENSE.

E. EXISTING MANUFACTURERS HAVE ONE YEAR FROM DATE OF PASSAGE OF ACT TO OBTAIN LICENSE.

F. LICENSE CAN BE REVOKED IF MANUFACTURER HAS NOT COMPLIED WITH ANY CONDITION IMPOSED ON HIM; IF HE IS NO LONGER IN MANUFACTURING ACTIVITY FOR WHICH LICENSE GRANTED; OR HAS MADE A FALSE STATEMENT IN APPLICATION FOR LICENSE.

G. MTI MAY EXEMPT ANY MANUFACTURER FROM ANY PROVISIONS OF ACT.

3. IM PUBLIC EXPLANATION OFFERED IN SUPPORT OF ACT, GOM CLAIMS IT HAS THREE MAIN OBJECTIVES: TO ASSIST IN IMPLEMENTATION OF GOVERNMENT INDUSTRIALIZATION POLICIES; TO ENSURE ORDERLY DEVELOPMENT AND GROWTH OF INDUSTRIES; AND TO FACILITATE COLLECTION OF INDUSTRIAL INFORMATION. IN PRIVATE CONVERSATIONS, MTI REPRESENTATIVES HAVE STATED LICENSES DO NOT NEED TO BE RENEWED AFTER HAVING BEEN GRANTED.

4. REACTION ON PART OF AMERICAN MANUFACTURERS AND BANKERS CONTACTED BY EMBASSY HAS BASICALLY BEEN SUBDUED. MOST VIEW THIS AS MERE CONTINUATION OF GOM REPORTING REQUIREMENTS ALREADY FACED BY FOREIGN COMPANIES IN MALAYSIA. IN AT LEAST TWO CASES, COMPANIES HAVE RECEIVED VERBAL ASSURANCES FROM MTI THAT ACT WILL HAVE LITTLE OR NO IMPACT ON THEIR OPERATIONS. MOST COMPANIES ADOPTING A WAIT AND SEE ATTITUDE. ONLY EXPRESSIONS OF CONCERN COUCHED IN TERMS OF UNCERTAINTY BILL LEAVES IN MINDS OF MANUFACTURERS AS TO GOM'S INTENTIONS. MANY QUESTIONS ABOUT ACT CANNOT BE CLEARED UP UNTIL MTI FINALIZES IMPLEMENTING REGULATIONS.

5. REACTION OF MALAYSIAN BUSINESS COMMUNITY STANDS IN STRONG CONTRAST TO THAT OF U.S. COMPANIES. ON RECEIPT OF NEWS THAT ACT HAD BEEN PASSED, FEDERATION OF MALAYSIAN MANUFACTURERS ISSUED STATEMENT POINTING OUT THAT THEY HAD NOT BEEN CONSULTED ABOUT BILL. SINCE LIMITED OFFICIAL USE
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THAT TIME FEDERATION HAS BEEN HOLDING EXHAUSTIVE SERIES OF MEETINGS WITH MEMBERS TO DECIDE WHAT ITS RESPONSE SHOULD BE. MAIN CONCERN IS NOT WITH LARGER FIRMS, MANY OF WHICH ALREADY MEET MOST PROVISIONS OF BILL, BUT WITH SMALLER FIRMS, MOSTLY CHINESE, WHICH HAVE HERETOFORE BEEN EXEMPT FROM MANY OF REPORTING AND OTHER REQUIREMENTS FACING LARGER FIRMS.

6. COMMENT: AT THIS EARLY DATE, IT IS IMPOSSIBLE TO PREDICT ACTUAL IMPACT OF THIS LEGISLATION. COMING

AS IT DOES AT SAME TIME AS PETROLEUM ACT AMENDMENT, SUSPICIONS
AS TO ITS REAL MEANING TAKE ON GREATER WEIGHT. FIRST
QUESTION TO BE ANSWERED IS WHAT, IF ANY, IMPACT ACT
WILL HAVE ON FOREIGN INVESTORS. SECOND QUESTION
RELATES TO LEGISLATION'S EFFECT ON MALAYSIAN BUSINESS
COMMUNITY. EMBASSY PLANS TO CONTINUE ITS TALKS WITH
VARIOUS ELEMENTS IN MALAYSIAN PUBLIC AND PRIVATE
SECTOR IN ATTEMPT TO ANSWER THESE QUESTIONS. COPY OF
ACT BEING POUCHED TO DEPARTMENT.
UNDERHILL

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: INDUSTRIAL PLANTS, LICENSES, LEGISLATIVE BILLS
Control Number: n/a
Copy: SINGLE
Draft Date: 15 APR 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975KUALA02006
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750132-0244
From: KUALA LUMPUR
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750449/aaaabthv.tel
Line Count: 125
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 22 JUL 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <22 JUL 2003 by BoyleJA>; APPROVED <23 JUL 2003 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: MALAYSIAN BILL REQUIRING MANUFACTURING LICENSES
TAGS: EINV, MY
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006